

Service Date: December 31, 1996

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

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IN THE MATTER of the Inquiry into)	UTILITY DIVISION
MONTANA POWER COMPANY's)	DOCKET NO. D96.8.143
Booking to Income of the WAPA)	
Metering Overcharge from 1984-1996.)	ORDER NO. 5964

ACCOUNTING ORDER

Background

1. The Montana Public Service Commission (Commission) issued Order No. 5865d in Docket No. D95.9.128 on May 31, 1996, authorizing an increase of \$14,000,000 in Montana Power Company's (MPC) annual electric revenues beginning on July 1, 1996, based on the Stipulation presented to the Commission on April 18, 1996 by MPC, the Large Customer Group and the Montana Consumer Counsel (MCC). The Stipulation also included the alternative rate plan for electricity which provided that MPC could implement an increase in electric rates of 2.4 percent on January 1, 1997 and again on January 1, 1998.

2. On June 20, 1996 MPC informed the Commission of overcharges by Western Area Power Administration (WAPA) at the Malta delivery point. According to the information, WAPA had billed MPC electric by an incorrect billing factor of 1.7 rather than 1.0 to 1.1 from the years 1984 to 1996, for a total of approximately 284,000 megawatt hours (MWHs). At 12.5 mills, the value of the overcharge was about \$3.6 million, which MPC intended to book as a credit to income in June 1996. MPC did not intend to amortize the \$3.6 million, indicating that the alternative rate plan of Docket No. D95.9.128, Order No. 5865d, allowed the one-time booking as income.

3. MPC confirmed the "WAPA/MPC Metering Correction" by letter dated July 30, 1996. The error came to light in an investigation between February and April, 1996 in the WAPA control area. On April 9, 1996 MPC identified the meter constant change for Malta

which appeared to be incorrect, confirmed by WAPA on April 10, 1996. Between April 11 and April 17, 1996, there were negotiations to settle Docket No. D95.9.128. The parties presented the Stipulation April 18, 1996 on the record at the hearing. Between April 10, 1996 and May 21, 1996, MPC was conducting negotiations with WAPA and came to an agreement on the amount of energy revenues owed to MPC. MPC did not inform the Commission or the parties in Docket No. D95.9.128 of the overcharge issue. On May 13, 1996 the Commission conducted a work session approving the Stipulation in Docket No. D95.9.128.

4. On August 1, 1996 Commission staff requested comments from LCG and MCC on the overcharges; neither responded. At a work session on August 27, 1996, the Commission initiated an investigation into the overcharges for the years 1984 to 1996 by issuing a Notice of Inquiry. The Commission's concern was that the ratepayers contributed the funds resulting in the windfall to MPC, as a result of MPC's failure to determine the proper billing.

5. The Commission directed interested parties to file comments on the following options:

- (a) Do nothing. Current rates would not change and ratepayers would not receive any of the income which was ratepayer funded for the twelve years as a result of the error.
- (b) Prescribe accounting for MPC which would amortize the overcharge over a period of years (five, ten or more years).
- (c) Authorize current rates which reflect the refund, which could be amortized over several years.
- (d) Account for the energy on the balance sheet and use the accrual, for example, as a source of power supply for the new silicon plant, with some sort of sharing mechanism between MPC stockholders and ratepayers.

The Commission encouraged parties to expand the scope of comments and remedies, if any, to the WAPA overcharge to MPC at the Malta delivery point for the years 1984 to 1996. The Commission received comments from MPC, LCG and MCC.

6. In MPC's comments, MPC took the position that the appropriate action for the Commission to take would be option (a), to "do nothing." MPC maintained that it did not fail to disclose information in reaching the settlement in Docket No. D95.9.128. MPC interpreted the Stipulation in the Docket as providing for the WAPA overcharge situation, in that the revenues did not meet the level to scrutinize.

7. LCG suggested that the overcharge monies returned to MPC should be shared with ratepayers. Because the overcharge occurred before the Stipulation in Docket No. D95.9.128, LCG recommended that the method chosen be the same as what would have happened if the refund had been disclosed before the negotiations and Commission approval of the Stipulation.

8. MCC suggested the option (b) to prescribe accounting treatment for the refund. MCC recommended a five year amortization, stating the likelihood that MCC would propose such accounting for ratemaking purposes in future cases, or for filings during the present alternative rate plan.

Decision

9. The Commission finds that the WAPA overcharge should have been disclosed to the stipulating parties and to the Commission in Docket No. D95.9.128 prior to the final order.

10. The Commission determines that for accounting purposes MPC shall use a two year amortization period, booking one-half of the returned WAPA overcharge revenue in calendar year 1996, which places this amount under the alternative rate plan approved by the Commission. MPC will keep one-half of the overcharge credited to 1996, unless MPC exceeds its authorized rate of return under the alternative rate plan. The one-half booked in calendar year 1997, which may be a test year after the alternative rate plan expires, could be considered in a future rate case. The Commission considers this approach to be judicious in the context of MPC's failure to disclose the material overcharge paid by its ratepayers.

11. Approval of this Accounting Order is for accounting purposes only.

Conclusions of Law

1. The Montana Power Company is a public utility furnishing electric and natural gas service to consumers in the State of Montana, subject to the supervision, regulation and control of this Commission. Title 69, Chapter 3, Montana Code Annotated.

Order

1. The Commission authorizes and directs MPC to use a two year amortization period, booking one-half of the returned WAPA overcharge revenue in calendar year 1996 and the other half in calendar year 1997. The one-half booked in calendar year 1997 may be considered in a future rate case after the alternative rate plan expires, for a rate case based on a 1997 test year.

2. This Order is effective on issuance.

DONE AND DATED at Helena, Montana this 23rd day of December, 1996, by a vote of 5 -0.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

NANCY MCCAFFREE, Chair

DAVE FISHER, Vice Chair

BOB ANDERSON, Commissioner

DANNY OBERG, Commissioner

BOB ROWE, Commissioner

ATTEST:

Kathlene M. Anderson
Commission Secretary

(SEAL)

NOTE: Any interested party may request the Commission to reconsider this decision. A motion to reconsider must be filed within ten (10) days. See ARM 38.2.4806.